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23549

JUN 29 '01

4-43 PM

TS
SURFACE TRANSPORTATION BOARD

KARL MORELL

kmorell@bjllp.com

June 29, 2001

The Honorable Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 700
Washington, DC 20423-0001

Dear Secretary Williams:

Enclosed are the original and one certified copy of the document described below to be recorded pursuant to 49 U.S.C. § 11301.

The document is a Memorandum of Guaranty and Collateral Agreement, a primary document, dated as of June 29, 2001. Please record this document under the next available Recordation Number.

The name and address of the parties to the Memorandum of Guaranty and Collateral Agreement are:

Secured Party/Agent:

Bank of America, N.A.
1200 Main
Kansas City, MO 64105

Debtor:

Palouse River and Coulee City Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

A description of the equipment covered by the Memorandum and Collateral Agreement is identified on the attached Schedule and includes **ALL NOW OWNED OR HEREAFTER ACQUIRED.**

PORTLAND, OREGON

WASHINGTON, D.C.

BEND, OREGON

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BALL JANIK LLP

The Honorable Vernon Williams
June 29, 2001
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A fee of \$28.00 is enclosed. Please return the original to:

Karl Morell
Of Counsel
Ball Janik LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005

A short summary of the document to appear in the index follows: a Memorandum of Guaranty and Collateral Agreement between Bank of America, N.A., 1200 Main, Kansas City, MO 64105, and Palouse River and Coulee City Railroad, Inc., 315 W. 3rd Street, Pittsburg, KS 66762, covering the equipment described in the Schedule and **ALL NOW OWNED OR HEREAFTER ACQUIRED.**

Sincerely,

A handwritten signature in black ink, appearing to read "Karl Morell", written in a cursive style.

Karl Morell

Enclosures

MEMORANDUM OF GUARANTY AND COLLATERAL AGREEMENT

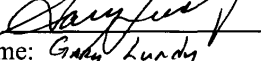
This Memorandum of Guaranty and Collateral Agreement, dated as of June 29, 2001, is by Palouse River and Coulee City Railroad, Inc. (the "Debtor") and Bank of America, N.A., as Administrative Agent for the Lenders pursuant to the Credit Agreement (the "Credit Agreement"), dated as of June 29, 2001, among Watco Companies, Inc. (the "Borrower"), the Lenders listed therein (the "Lenders"), and the Administrative Agent.

1. The Lenders have made loans to the Borrower pursuant to the Credit Agreement for the purpose of financing the operating needs of the Borrower and its affiliates (including Debtor). Such loans are secured by the Debtor's assets pursuant to the Guaranty and Collateral Agreement, dated as of June 29, 2001 (the "Guaranty and Collateral Agreement").

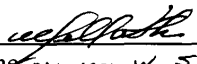
2. Pursuant to the Guaranty and Collateral Agreement, the Debtor grants to the Lenders a lien on and security interest in all of the Debtor's right, title and interest in and to the Rolling Stock (as defined in the Guaranty and Collateral Agreement) identified on the Schedule attached hereto and now owned or hereafter acquired, pursuant to Section 3 of the Guaranty and Collateral Agreement.

IN WITNESS WHEREOF, each of the parties hereto have caused this MEMORANDUM OF GUARANTY AND COLLATERAL AGREEMENT to be executed by its duly authorized officer as of the date first above written.

PALOUSE RIVER AND COULEE CITY
RAILROAD, INC., as debtor

By: 
Name: Gary Lundy
Title: Secretary

BANK OF AMERICA, N.A., as
Administrative Agent

By: 
Name: Michael W. Slack
Title: Senior Vice President

RECORDATION NO. 23549 FILED

JUN 29 '01 4-43 PM

SURFACE TRANSPORTATION BOARD

State of Illinois)
) ss.
County of Cook)

On this 29 day of June, 2001, before me personally appeared Gary Lundy, to me personally known, who, being by me duly sworn, says that (s)he is the Secretary of Palouse River and Coulee City Railroad, Inc., and that (s)he is duly authorized to sign the foregoing instrument on behalf of Palouse River and Coulee City Railroad, Inc., and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of Palouse River and Coulee City Railroad, Inc.

Linda A. Herron
Notary Public

My commission expires:

State of Illinois)
) ss.
County of Cook)



On this 29 day of June, 2001, before me personally appeared Michael Slack to me personally known, who, being by me duly sworn, says that (s)he is the Senior Vice President of Bank of America, N.A., and that (s)he is duly authorized to sign the foregoing instrument on behalf of Bank of America, N.A., and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of Bank of America, N.A.

Linda A. Herron
Notary Public

My commission expires:



Memorandum of Guaranty and Collateral Agreement

SCHEDULE

[See attached]

PCC	1012	11012	C4 Cov'd Hopp	PCC	4427	1971
PCC	1013	11013	C4 Cov'd Hopp	PCC	4427	1971
PCC	1014	11014	C4 Cov'd Hopp	PCC	4427	1971
PCC	1015	11015	C4 Cov'd Hopp	PCC	4427	1971
PCC	1016	11016	C4 Cov'd Hopp	PCC	4427	1971
PCC	1017	11017	C4 Cov'd Hopp	PCC	4427	Jun-1967
PCC	1018		C4 Cov'd Hopp	PCC	4427	1971
PCC	1019		C4 Cov'd Hopp	PCC	4427	1971
PCC	1020		C4 Cov'd Hopp	PCC	4427	1971
PCC	1021		C4 Cov'd Hopp	PCC	4427	1971
PCC	1022		C4 Cov'd Hopp	PCC	4427	1971
PCC	1101		C4 Cov'd Hopp	PCC	4460	Aug-1966
PCC	1102		C4 Cov'd Hopp	PCC	4460	1966
PCC	1103		C4 Cov'd Hopp	PCC	4460	Aug-1966
PCC	1104		C4 Cov'd Hopp	PCC	4460	Aug-1966
PCC	1105		C4 Cov'd Hopp	PCC	4460	1966
PCC	1106		C4 Cov'd Hopp	PCC	4460	1966
PCC	1107		C4 Cov'd Hopp	PCC	4460	1966
PCC	1108		C4 Cov'd Hopp	PCC	4460	Aug-1966
PCC	1109		C4 Cov'd Hopp	PCC	4460	1966
PCC	1110		C4 Cov'd Hopp	PCC	4460	Jul-1966
PCC	1111		C4 Cov'd Hopp	PCC	4460	Aug-1966
PCC	1112		C4 Cov'd Hopp	PCC	4460	1966
PCC	1113		C4 Cov'd Hopp	PCC	4460	1966
PCC	1114		C4 Cov'd Hopp	PCC	4460	1966
PCC	1115		C4 Cov'd Hopp	PCC	4460	1996
PCC	1116		C4 Cov'd Hopp	PCC	4460	1966
PCC	1201		C4 Cov'd Hopp	PCC	4526	Jun-1975
PCC	1202		C4 Cov'd Hopp	PCC	4526	1967
PCC	1203		C4 Cov'd Hopp	PCC	4526	1967
PCC	1204		C4 Cov'd Hopp	PCC	4526	1967
PCC	1205		C4 Cov'd Hopp	PCC	4526	Sep-1967
PCC	1206		C4 Cov'd Hopp	PCC	4526	Jun-1967
PCC	1207		C4 Cov'd Hopp	PCC	4526	Apr-1967
PCC	1208		C4 Cov'd Hopp	PCC	4526	Oct-1967
PCC	1209		C4 Cov'd Hopp	PCC	4526	1967
PCC	1301		C4 Cov'd Hopp	PCC	4600	
PCC	1302		C4 Cov'd Hopp	PCC	4600	
PCC	ACFX	46631		PCC		
PCC	SKOL	66363	100 ton O/T Hopp	PCC	2868	1963
PCC	SKOL	66884	100 ton O/T Hopp	PCC	2868	1963
PCC	SKOL	67286	100 ton O/T Hopp	PCC	2868	1963
PCC	SKOL	68229	100 ton O/T Hopp	PCC	2868	1963
PCC	SKOL	68278	100 ton O/T Hopp	PCC	2868	Aug-1963
PCC	SKOL	69306	100 ton O/T Hopp	PCC	2868	1963
PCC	SKOL	74468	100 ton O/T Hopp	PCC	2868	
PCC	SKOL	74887	100 ton O/T Hopp	PCC	2868	
PCC	SKOL	93139	100 ton O/T Hopp	PCC	3420	Mar-1964
PCC	SKOL	93404	100 ton O/T Hopp	PCC	2868	
PCC	SKOL	94896	100 ton O/T Hopp	PCC	3418	
PCC	SKOL	166380	100 ton O/T Hopp	PCC	3418	
PCC	SKOL	167126	100 ton O/T Hopp	PCC	3418	

State WA	PCC	2000 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2001 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2002 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2003 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2004 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2005 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2006 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2007 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2008 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2009 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2010 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2011 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2012 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2013 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2014 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2015 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2016 Cov. Grain Hopp	PCC	4650	1980
State WA	PCC	2017 Cov. Grain Hopp	PCC	4650	1980

PCC	2268	WAMX	3514	GP35	Oct-96	1996
PCC	2353	WAMX	3516	GP35	Aug-96	1996
PCC	2357	WAMX	3517	GP35	Aug-96	1996
PCC	3004	WAMX	3008	GP30	Jan-97	1997
PCC	3851	WAMX	3523	GP35	Sep-96	1996
PCC	4204	WAMX	3020	GP30M	Oct-97	1997
PCC	4212	WAMX	3021	GP30	Sep-96	1996
PCC	4229	WAMX	3525	GP35	Oct-96	1996